



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 27, 2007

H.R. 928

Improving Government Accountability Act

*As ordered reported by the House Committee on Oversight and Government Reform
on August 2, 2007*

SUMMARY

H.R. 928 would amend the Inspector General Act of 1978. The legislation would define the term of office and conditions for removal of inspectors general (IGs); require IGs to submit their budgets directly to the Office of Management and Budget (OMB) and the Congress; establish an IG Council; provide IGs with some additional investigative, law enforcement, and personnel authorities; and require IGs to prepare additional reports.

CBO estimates that implementing H.R. 928 would cost about \$9 million in 2008 and \$73 million over the 2008-2012 period, assuming the availability of the appropriated funds. The legislation could affect direct spending and revenues, but CBO estimates that any such effects would be negligible.

H.R. 928 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budget of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 928 is shown in the following table. The costs of this legislation fall within budget function 800 (general government) and all other budget functions where federal agencies employ inspectors general.

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Inspector General Authorities					
Estimated Authorization Level	5	10	10	10	10
Estimated Outlays	5	9	10	10	10
Council of Inspectors General on Integrity and Efficiency					
Estimated Authorization Level	5	5	5	5	5
Estimated Outlays	4	5	5	5	5
Pay Provisions					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	*	1	1	1	1
Total Changes					
Estimated Authorization Level	11	16	16	16	16
Estimated Outlays	9	16	16	16	16

Note: * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2008, that the necessary funds will be provided for each year, and that spending will follow historical patterns for similar activities.

The Inspector General Act of 1978 created independent offices headed by inspectors general responsible for conducting and supervising audits and investigations; promoting economy, efficiency, and effectiveness; and preventing and detecting fraud and abuse in government programs and operations. There are two types of IGs. There are 30 IGs who are appointed by the President with Senate confirmation, (known as Presidential IGs) half of whom serve the 15 cabinet departments. Another 34 IGs serve as designated federal entity (DFE) IGs at smaller agencies and are appointed (and may be removed) by the head of the agency. The Government Accountability Office (GAO) reported that IGs had appropriated budgets of almost \$2 billion in 2006 and employ over 12,000 employees.

Spending Subject to Appropriation

Inspector General Authorities. Under current law, many IG activities come under the purview of the agency they oversee. The budgets for IG activities are included as part of the agency's overall budget request to the Congress, with funding determined by the Congress through the appropriations process. Personnel matters, including hiring and retirement issues, are handled by each IG's agency. IGs at some of the larger agencies have independent law enforcement authorities, such as carrying firearms and executing warrants for arrests; those at smaller agencies are usually deputized by the U.S. Marshall Service to perform such functions. In addition, IGs issue semi-annual reports on their activities and operations.

H.R. 928 would amend existing law to make all IG offices separate agencies with the same powers and duties as the agency the agency monitor and investigate. IGs would be authorized to directly submit their budget requests to OMB and the Congress. In addition, IGs would be given additional personnel authorities, including more flexible hiring authorities. H.R. 928 would provide additional law enforcement authorities to IGs appointed by agency heads, including the ability to carry firearms and execute warrants. The legislation also would require program evaluations and inspections to be added to their reports to Congress.

Based on information from IG offices and the cost of similar authorities, CBO estimates that these provisions would cost \$5 million in 2008 and about \$45 million over the 2008-2012 period, mostly for additional personnel costs. CBO expects that few IG offices would become wholly independent of the administrative support their agencies, but most would require additional personnel, especially the smaller IG offices. This estimate includes the cost additional staff and training for budget and human resources functions, as well as additional law enforcement training.

Council of Inspectors General on Integrity and Efficiency. Currently, there are two advisory councils for IG functions: inspectors general appointed by the President are members of the President's Council on Integrity and Efficiency (PCIE) while DFE IGs are members of the Executive Council on Integrity and Efficiency (ECIE). The two councils were created by Presidential Executive Orders and usually meet separately. They receive no specific appropriation, but are funded by the various IGs on an ad hoc basis.

H.R. 928 would establish a single council with duties and functions similar to the PCIE and ECIE. It would change the new council with identifying, reviewing, and discussing areas of weakness and fraud in federal operations and programs; developing plans for coordinated governmentwide activities that address these problems; developing policies and professional programs for IG personnel; and investigating allegations against IGs. Based on information from PCIE and ECIE regarding their current operations, CBO estimates that implementing

this provision would cost an additional \$5 million in 2008 and \$25 million over the 2008-2012 period, primarily for the cost of professional training for IGs.

Pay Provisions. Section 5 would amend the Inspector General Act of 1978 to raise the annual salary level of 31 IGs specified in the legislation from Level IV to Level III of the executive schedule plus an additional 3 percent. The bill would set the level of pay for the other IGs equal to the rate of basic pay for senior staff members classified at a comparable rank plus 3 percent. In addition, the legislation would prohibit payment of cash awards and bonuses to IGs.

Based on data and information provided by the Office of Personnel Management, CBO estimates that increasing the pay for IGs would cost about \$500,000 annually and \$4 million over the 2008-2012 period, subject to the availability of appropriated funds. Most of that cost would result from increasing compensation of the 31 IGs specified in the bill who will have their rate of basic pay set at Level III of the executive schedule plus 3 percent. CBO expects the cost of increasing basic pay for the other IGs would be small because the increase in basic pay would largely be offset by the loss of bonus payments.

Direct Spending and Revenues

A few IGs are employed by offices that have direct spending authority to pay salaries and expenses. Amendments made by H.R. 928 would have an insignificant impact on spending by those offices. Enacting H.R. 928 could affect federal revenues from civil penalties as a result of allowing IGs appointed by their agency heads to investigate and report false claims and recoup losses resulting from fraud under \$150,000. Collections of civil penalties are recorded in the budget as revenues and deposited in the general fund of the Treasury. Based on information from Presidential IGs, CBO estimates that any change in revenues that would result from enacting the bill would not be significant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 928 contains no intergovernmental or private-sector mandates as defined in the UMRA and would not affect the budget of state, local, or tribal governments.

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